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"December collections were \$(155.0) million below... forecast".

Summary



December General Fund revenue collections were \$752.6 million, or (13.7)% below December 2007. December collections were \$(155.0) million below the June 2008 enacted budget forecast for the month.

For the first 6 months of FY 2009, General Fund collections are down (10.2)% when compared to last year (excluding Urban Revenue Sharing and one-time transfers). The year-to-date revenue shortfall through the first 6 months of the fiscal year is \$(728.5) million. *(See Table 1 and page 2 for more information).* JLBC Staff had previously reported on these December results at the Finance Advisory Committee meeting earlier this month.

The state's three largest revenues categories experienced significant declines:

- December sales tax collections were down (16.4)% compared to December 2007 and were \$(79.7) million short of the monthly forecast. December marked the 12th consecutive month of year-over-year reductions. The December results, which represent November sales, reflect the second month of double digit declines in sales tax collections compared to the previous year since the steep decline in the national economy in mid-September.
- December individual income tax collections were down (6.2)% compared to December 2007 and were \$(43.1) million below forecast.

- December corporate income tax collections were (7.2)% below December of 2007, and were \$(29.1) million below the forecast.

As noted in previous months, revenues would need to grow by 6.1% for the entire year to meet the budget forecast. Given the decline of (10.2)% in the first 6 months, revenues will fall significantly short of the budget forecast.

A Finance Advisory Committee meeting was held on January 13th. (See summary on page 6). Based on the 4-sector consensus forecast, FY 2009 revenues are projected to decrease (9.4)% compared to the prior year. Based on this projection, the FY 2009 shortfall is estimated to be \$(1.6) billion.

Economic Indicators – More record-setting economic data was reported in the last month. The job market in Arizona continues to weaken *(see page 3)*. The state's workforce decreased year-over-year by (4.3)% in December, the highest percentage decline since June 1975. The state lost (116,500) jobs in 2008, which is the largest number on record. The second largest job loss occurred in 2001 when the state shed (30,000) jobs. There were 602 single-family building permits issued in November, which was the lowest amount since at least July 1969 *(see page 4)*.

JLBC/JCCR Meetings – There were no JLBC or JCCR meetings in January.

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December Revenues

Table 1

December General Fund Revenues Compared to Enacted Forecast and FY 2008 Collections			
(\$ in Millions)			
	<u>FY 2009 Collections</u>	<u>Difference From June '08 Forecast</u>	<u>Difference From FY 2008</u>
December	\$752.6	\$(155.0)	\$(119.1)
Year-to-Date	\$4,128.7	\$(728.5)	\$(297.0)

Sales Tax collections were \$302.8 million in December. These revenues were down (16.4)% compared to last December, and were \$(79.7) million below forecast. *Table 2* displays the December growth rates for the largest categories.

Table 2

Sales Tax Growth Rates Compared to Prior Year

	<u>Dec</u>	<u>YTD</u>
Retail	(13.9)%	(10.4)%
Contracting	(29.2)%	(20.1)%
Utilities	(3.5)%	4.9%
Use	(20.9)%	(6.1)%
Restaurant & Bar	(8.8)%	(5.8)%

As noted in previous months, retail and contracting together account for two-thirds of all sales tax revenues. The retail sector decreased by (13.9)% and contracting fell by (29.2)%.

For November (the latest available subcategory data), taxable sales in the retail category are down (9.7)% from the prior year. The largest subcategory within retail is the General Merchandise and Miscellaneous Retail category, which is down (4.5)%. The largest subcategory decline is in Motor Vehicles, which represents 21.4% of the total, and is down (30.8)% compared to the prior year. Taxable retail sales by category are shown in *Table 3*. (Eric Jorgensen)

Individual Income Tax collections were \$341.3 million in December, or (6.2)% below last year. December collections were \$(43.1) million less than forecast. *Table 4* displays December and year-to-date growth rates for individual categories.

Table 4

Individual Income Tax Growth Rates Compared to Prior Year

	<u>December</u>	<u>YTD</u>
Withholding	(1.5)%	(1.8)%
Estimated + Final Payments	(0.4)%	(16.2)%
Refunds	na	16.0%

As indicated last month, there were 2 fewer processing days in November this year than in the same month last year, and December had 2 more processing days. As a result, withholding tax and estimated payment collections did not decrease as much in December as they did in November. However, refunds were significantly above December last year, and through December, year-to-date individual income tax collections remain at the November level of (6.6)% below last year. (Hans Olofsson)

Corporate Income Tax collections were \$111.5 million in December, or (7.2)% below last year. Collections were \$(29.1) million below forecast for the month. December is one of the large

Table 3

November Taxable Retail Sales by Subcategory

	<u>% of Total Sales</u>	<u>% Change Over FY 2008</u>
General/Misc. Merchandise	30.2%	(4.5)%
Motor Vehicles/Misc. Auto.	21.4%	(30.8)%
Bldg Materials and Supplies	7.5%	(12.2)%
Food and Liquor Stores	7.3%	(2.7)%
Furniture, Home Furnishings	6.9%	(12.1)%
Clothing and Accessories	5.8%	(10.5)%
Manufacturing	5.6%	(8.5)%
Other Subcategories	15.3%	7.6%
Total	100.0%	(9.7)%

"Sales Tax collections were...down (16.4)% compared to last December, and were \$(79.7) million below forecast".

December Revenues (Continued)

collection months for corporate income tax. Collections are (26.4)% below the first 6 months of last year. (Martin Lorenzo)

The **Lottery Commission** reports that ticket sales for the month of December were 2.1% over

December of last year. Year-to-date, ticket sales are down (2.3)% compared to last year. Through December, a total of \$23.7 million in lottery revenues has been deposited into the General Fund.

Economic Indicators

"The state's unemployment rate increased to 6.9% from 6.3% in the prior month. This was the sharpest monthly increase of the state's unemployment rate since May 1982."

NATIONAL

The nation's output of goods and services in the 4th quarter of 2008 contracted by (3.8)%, according to the federal Bureau of Economic Analysis' advance estimate of the real **Gross Domestic Product**. While the decline was less than generally expected, it still represented the largest contraction of the nation's economy since the first quarter of 1982. Absent the large increase in inventories during the 4th quarter, the decline in real GDP would have been significantly steeper.

The Conference Board's **U.S. Consumer Confidence Index** for January declined from 38.6 to 37.7, the lowest confidence reading in the 42-year history of the survey. The index is now down by (56.8)% compared to a year ago. Assessments of both current and future conditions are being affected by the recent string of layoff announcements by some of the world's largest corporations.

The Conference Board's **U.S. Index of Leading Economic Indicators** increased by 0.3% in December. Year-over-year, the index is down by (3.0)%. Although 4 of the 10 components that make up the composite index advanced in December, only two of them — money supply and the interest rate spread — made significant positive contributions owing to the large injection of liquidity by the Federal Reserve. Absent these actions, the index would have declined significantly.

The **U.S. Consumer Price Index** fell by (0.7)% in December. The sharp decline in prices over the last 3 months has left the CPI only 0.1% above its level one year ago. With the recession expected to worsen during the first half of 2009, the year-over-year measure will likely turn negative in the upcoming months.

ARIZONA

The release of new economic data for the state points to a situation that is becoming increasingly worrisome. Businesses are shedding jobs at unprecedented levels, confidence is at a record low, and home prices are continuing their decline.

The Arizona Department of Commerce reported that the state lost (116,500) or (4.3)% of **nonfarm jobs** in December compared to the same month last year. The December job loss (in percentage terms) was the largest since June 1975 when the state experienced a year-over-year decline of (4.6)%.

Based on data furnished by the federal Bureau of Labor Statistics (BLS), Arizona has only seen a net loss of jobs in 9 of the last 69 years. The loss of (116,500) jobs in 2008 is the largest on record. The second largest job loss occurred in 2001 when the state shed (30,000) jobs.

The December employment report shows that job losses in the **construction sector** have accelerated in recent months. In December, the state had (43,800) fewer construction workers than in the same month last year. The comparable figures for October and November were (38,100) and (41,500), respectively. The industry now employs approximately the same number of individuals as in February 2002.

The **manufacturing sector** is also continuing to decline, but at a considerably slower rate than other goods-producing industries. The year-over-year decline in December was (2.4)%, which translates into a loss of (4,300) manufacturing jobs.

The state is also experiencing significant job

Economic Indicators (Continued)

"The Business

Leaders

Confidence

Index for the 1st

quarter of 2009

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decline in the

history of the

index."

declines in retail and employment services with December year-over-year losses of (25,200) and (20,500), respectively.

December marked the 8th consecutive month with rising unemployment. The state's **unemployment rate** increased to 6.9% from 6.3% in the prior month. This was the sharpest monthly increase of the state's unemployment rate since May 1982. The nation's unemployment rate was 7.2%, which is the highest since January 1993.

The Department of Commerce reported that 34,409 **initial claims for unemployment insurance** were filed in December, an increase of 128.6% over last year. This is the largest increase on record. (Monthly unemployment insurance data is available from January 1971).

The large volume of foreclosed properties continues to weigh on the housing market especially with respect to existing home prices and the issuance of new building permits. Between September and November, the number of authorized building permits statewide (3-month moving average) totaled 1,352, including 856 **single-family residential building permits** and 496 **multi-family building permits**. These figures represent a year-over-year decline of (51.5)% for single family permits and (58.3)% for multi-family permits. November's issuance of 602 single-family building permits was the lowest figure since at least July 1969. (Data before this time is not available.)

According to recent data released by ASU's Realty Studies, a total of 81,700 existing **single-family homes** were sold in Greater Phoenix in 2008. While this level represents the third best year on record in terms of sales volume, it masks the fact that this figure included the sale of 34,955 foreclosed properties, or 43% of all existing single family homes sold. The comparable share of foreclosed homes in 2007 was 15.6%. For December alone, ASU reported a total of 7,425 existing home sales, including 4,315 traditional sales and 3,110 foreclosures. These figures constitute a year-over-year increase of 68.9% for traditional home sales and 131.2% for foreclosed properties.

While the large volume of foreclosed

properties has contributed to a significant increase in home sales, it has also resulted in a sharp reduction in housing prices. Based on the December report, the Greater Phoenix **single-family median resale home price** was \$146,000 for traditional homes and \$148,340 for foreclosed properties. Compared to a year ago, the median resale price is now (39.2)% lower for traditional single-family units and (27.7)% lower for foreclosed properties. Unlike the existing housing market, the market for new homes performed poorly in 2008. The number of new homes sold in Greater Phoenix in 2008 was slightly less than 15,000, a decline of (42.1)% from the prior year, and the lowest level since 1993. The large supply of relatively inexpensive foreclosed properties on the market effectively "crowded out" the sale of new homes in Greater Phoenix.

The **S&P/Case-Shiller Home Price Index** is a measure of the change in housing prices based on repeat sales. According to the most recent release of this measure, home prices in Phoenix fell by (32.9)% in November, the largest year-over-year decline among the 20 metropolitan areas included in the index. As of November, Phoenix has experienced 23 straight months with accelerating price declines.

Based on MLS data, it is estimated that the **month's supply of housing** decreased from 11.3 months in November to 8.9 months in December. While this is a sizeable improvement, the National Association of Realtors cautions that such housing inventory measures are currently understated since many foreclosed homes are not included in the MLS database.

Total passenger traffic recorded in November at **Phoenix Sky Harbor International Airport** was (12.8)% below the same month in the prior year. Year-to-date, a total of 36.7 million passengers have entered and exited aircraft at Sky Harbor. This figure represents a decline of (5.7)% relative to the first 11 months of 2007. The air passenger data suggests that the deteriorating economy has already taken its toll on tourism and business related travels.

The **Business Leaders Confidence Index** for the 1st quarter of 2009 fell from 42.4 to 32.1, the steepest decline in the history of the index. The measure is now at a record low

Economic Indicators (Continued)



level. A reading below 50 indicates a contracting economy.

AHCCCS caseloads in January decreased by (0.1)%, or (798) members, to 1,115,900. At current levels, the AHCCCS caseloads are 6.0% above January 2008 levels. The FY 2009 budget funded a projected caseload growth of 2.6%, or a total of 1,189,224 members.

There were a reported 84,320 **TANF recipients** in the state in November, an increase of 0.7% from the prior month. Year-over-year, caseload is up by 1.1%. The FY 2009 budget assumes the TANF caseload will grow by 2.5%.

The **Department of Corrections' (ADC) inmate population** increased by an average of 69 inmates per month between October and December. ADC now has an average population of 39,495 inmates, or 1,828 more inmates than in the same period last year. (Hans Olofsson, Martin Lorenzo)

Table 5

ECONOMIC INDICATORS

Indicator	Time Period	Current Value	Change From Prior Period	Change From Prior Year
Arizona				
- Unemployment Rate	December	6.9%	0.6%	2.7%
- Initial Unemployment Insurance Claims	December	34,409	13.3%	128.6%
- Non-Farm Employment – Total	December	2.58 million	(0.5)%	(4.3)%
Manufacturing	December	176,300	(0.1)%	(2.4)%
Construction	December	167,800	(3.3)%	(20.7)%
- Contracting Tax Receipts (3-month average)	Oct-Dec	\$59.6 million	(3.9)%	(22.0)%
- Retail Sales Tax Receipts (3-month average)	Oct-Dec	\$137.9 million	(2.2)%	(12.4)%
- Residential Building Permits (3-month moving average)				
Single-unit	Sept-Nov	856	(24.3)%	(51.5)%
Multi-unit	Sept-Nov	496	1.2%	(58.3)%
- Greater Phoenix Existing Home Sales				
Single-Family, Traditional Sales	December	4,315	28.0%	68.9%
Single-Family, Foreclosed Sales	December	3,110	0.5%	131.2%
Townhouse/Condominium, Traditional Sales	December	440	44.3%	(24.8)%
Townhouse/Condominium, Foreclosed Sales	December	285	7.5%	216.7%
- Greater Phoenix Median Home Sales Price				
Single-Family, Traditional Sales	December	\$146,000	(9.9)%	(39.2)%
Single-Family, Foreclosed Sales	December	\$148,340	(4.4)%	(27.7)%
Townhouse/Condominium, Traditional Sales	December	\$137,250	0.3%	(19.3)%
Townhouse/Condominium, Foreclosed Sales	December	\$119,550	3.2%	(20.4)%
S&P/Case-Shiller Home Price Index (Jan. 2000 = 100)	November	130.54	(3.4)%	(32.9)%
- Months Supply of Housing, SA (ARMLS)	December	8.9 months	(2.4) months	(5.6) months
- Phoenix Sky Harbor Air Passengers	November	3.0 million	(6.0)%	(12.8)%
- Arizona Average Natural Gas Price (\$ per thousand cubic feet)	October	\$5.67	(12.8)%	(19.2)%
- Consumer Confidence Index (1985 = 100)	2 nd Quarter 2008	73.4	(8.0)%	(31.0)%
- Business Leaders Confidence Index	1 st Quarter 2009	32.1	(24.3)%	(20.5)%
- Arizona Personal Income	3 rd Quarter 2008	\$214.8 billion	(0.3)%	2.2%
- Arizona Population	July 1, 2008	6.50 million	146,759	2.3%
- AHCCCS Recipients	January	1,115,900	(0.1)%	6.0%
- TANF Recipients	November	84,320	0.7%	1.1%
- DOC Inmate Growth (3-month average)	Oct-Dec	39,495	69 inmates	1,828 inmates
United States				
- Real Gross Domestic Product (seasonally adjusted annual growth rate)	4 th Quarter 2008	\$11.6 trillion	(3.8)%	(0.2)%
- Consumer Confidence Index (1985 = 100)	January	37.7	(2.3)%	(56.8)%
- Leading Indicators Index (2004 = 100)	December	99.5	0.3%	(3.0)%
- U.S. Semiconductor Billings (3-month moving average)	Sep-Nov	\$3.08 billion	(4.0)%	(19.5)%
- Consumer Price Index, SA (1982-84 = 100)	December	211.490	(0.7)%	(0.1)%

FAC Meeting

At its January 13th, 2009 meeting, the Finance Advisory Committee (FAC) heard presentations on General Fund Revenue collections, the U.S. economy, and the state economy. The FAC is a 15-member panel comprised of leading economists in the state. The panel meets 3 times a year and advises the Legislature on the state economy.

JLBC Staff provided members with the latest 4-sector consensus estimates for “Big 3” revenue collections. The 4-sector consensus estimate is a composite of equally weighted estimates from:

- The University of Arizona Economic and Business Research (EBR) General Fund baseline model;
- The EBR conservative forecast model;
- The FAC panel; and
- JLBC Staff.

Based on the 4-sector consensus, revenues are projected to decline by (9.4)% in FY 2009, prior to any tax law changes. This is down from the October FAC meeting, at which time the 4-sector consensus projected a FY 2009 decline of (4.4)%. Year to date collections through December are down (10.2)% as compared to the same period last year.

In FY 2010, the 4-sector consensus predicts a further decline in revenues of (2.8)%.

Panel members also heard formal presentations from Elliott Pollack, Marshall Vest, and State Treasurer Dean Martin.

Committee members had an unfavorable outlook with regard to economic and revenue growth going forward. There was discussion of the continuation of the credit crunch and the downturn in the real estate market as the primary reasons for concern.

Members noted that the adverse impacts of the housing slump and credit crunch continued to be felt in lowered consumer spending, increased unemployment, and higher rates on loans outside the highly leveraged and risky loans that initiated the constriction of credit.

The Committee generally expects economic growth to bottom out sometime in FY 2009 or FY 2010. With regard to the duration of the slowdown, most members believe it will last several years, and be followed by a gradual

recovery.

Overall, the 4-sector consensus model projects two to three years of below trend revenue growth before returning to the 7% trend level in FY 2012. In general, the presenters concurred with these projections, but seemed to suggest that there are more downside than upside risks to the 4-sector consensus, particularly in FY 2009 and FY 2010. (Tim Everill)



Summary of Recent Agency Reports

AHCCCS – Report on Healthcare Group – AHCCCS reports that, as of November 2008, total statewide Healthcare Group (HCG) medical plan enrollment was 17,300, with participating members from 6,424 employers. Since October 2007, enrollment has decreased by (4,346) people. AHCCCS reports that the new rates that went into effect in September are responsible for some of this decline in member months. In September, member months declined by approximately 5%, but the 15% increase in premiums for HMOs and 18% for PPOs led to a revenue increase of 12.5% during September.

In its annual audit, AHCCCS reported that HCG had \$15.8 million in unpaid prior year obligations and other liabilities at the end of FY 2008. During the first quarter of the FY 2009, HCG reports an additional \$193,900 net loss, excluding any of its \$5 million in General Fund subsidy. (Amy Upston)

AHCCCS – Report on Interstate Agreement with Hawaii – Pursuant to A.R.S. § 36-2925H, the Arizona Health Care Cost Containment System (AHCCCS) has submitted its annual report on the status of an Interstate Agreement with the State of Hawaii. This report summarizes the continued activities associated with the agreement between AHCCCS and Hawaii for data processing. This agreement's proceeds are deposited into a special fund. This fund had an ending FY 2008 balance of \$1,172,500. A.R.S. § 36-2926 limits these funds to technology projects and Information Technology (IT) staff recruitment. (Blake Riley/Amy Upston)

Attorney General – Report on Incarceration Costs Offset by Monetary Judgments – Pursuant to A.R.S. § 31-238, the Office of the Attorney General is required to report semi-annually on the use of monetary judgments awarded to inmates to offset the costs of incarceration. From July 1, 2008 to December 31, 2008, the state did not exercise its right to offset the costs of incarcerating inmates under this statute, since no monetary judgments were awarded during this time period. (Marge Zylla)

City of Phoenix – Report on the Phoenix Convention Center Expansion Project – The City of Phoenix has issued its ninth progress report on the Convention Center expansion project.

The state's obligation for the Convention Center expansion project is to pay the debt service and related costs on \$300 million in construction bonds.

Based on the City's report, the expansion is essentially finished and the final certificate of completion is anticipated in the 1st quarter of calendar year 2009.

The state's financial obligation begins in the fiscal year after the certificate has been filed. As a result, the state's obligation would begin in FY 2010. The payment schedule would be \$5 million in FY 2010, and increases by \$5 million each year through FY 2013. The state's obligation would eventually equal \$30 million annually. (Tim Everill)

Department of Corrections/Arizona

Department of Administration – Report on the Status of Public and Private Beds – Laws 2007, Chapter 261 authorized the Arizona Department of Administration (ADOA) to contract for 2,000 new private prison beds, as well as the construction of 4,000 new public beds, to be funded via a 20-year, \$200 million lease-purchase agreement. Highlights of this report are as follows:

2,000 Private Beds

- ADOA, pursuant to Laws 2007, Chapter 261, has transferred primary contract oversight to the Arizona Department of Corrections (ADC).
- The final per diem rate associated with the 2,000 private bed contract is \$62.16. This rate will be effective upon ADC occupying the first bed of the 2,000 new beds and will also be applied to the existing 1,400 beds at the facility.

4,000 Public Beds

- Construction at all facilities is anticipated to be completed January 31, 2010 and beds are anticipated to be filled at a rate of 400 per week (100 beds at each of the 4 facilities) starting March 15, 2010.
- The Construction Manager at Risk has received a guaranteed maximum price from its vendors totaling \$168.8 million, or \$(3.2) million below their previous estimate. As a result, the overall project cost has fallen to \$193 million, resulting in a contingency amount of \$9 million.
- If available, the \$9 million in contingency monies would be used to fund additional

Summary of Recent Agency Reports (Continued)

construction, infrastructure, and equipment previously omitted from the project due to budget constraints.

(Martin Lorenzo)

Department of Health Services – Report on Federal 317 Vaccines Program

The Department of Health Services (DHS) has submitted a report on the amount of federal monies received for FY 2009 for the Federal 317 Vaccines program, which provides immunizations to children in public settings, such as malls and clinics. The department reports that as of January 21, 2009, it has received \$41,100 in Federal 317 monies. The vaccine orders for the Vaccines for Children Direct Assistance and 317 Direct Assistance amounts are no longer shared with the department. Instead, DHS is provided with an estimated target budget which serves as a ceiling for Arizona's vaccine purchase. For FY 2009, the target amount is approximately \$80 million. In FY 2008, the target amount was \$74 million. (Art Smith)

Arizona Commission of Indian Affairs – Report on Uses of Monies in the Arizona Indian Town Hall Fund

Pursuant to A.R.S. § 41-545, the Arizona Commission of Indian Affairs is providing the annual Indian Town Hall Fund expenditure report for FY 2008. New fund revenues during the 28th Annual Indian Town Hall totaled \$10,970. For FY 2008, the commission had \$8,567 in disbursements. (Jack Brown)

Intel Corporation – Status Report on the Fab 32 Construction Project

Laws 2005, Chapter 289 provides that corporations that meet the conditions of Chapter 289 may use an enhanced sales factor in the calculation of business income for corporate income tax purposes beginning in Tax Year 2007. Chapter 289 requires that corporations that have made capital investment commitments on a project under this

legislation are required to file a status report on the project by December 31 of each year through 2008.

The Intel Corporation's Fab 32 project, located at Intel's Ocotillo Campus in Chandler is the only project that has met the conditions of Chapter 289. Intel reports that the \$3 billion Fab 32 building was completed in 2007, and is the world's first 45 nanometer high volume manufacturing facility. Intel notes that the factory's 45 nanometer process results in a 15% reduction in global warming emissions, and its water conservation and reuse program conserves more than 70% of water use. The factory began production in October 2007, and the project has created more than 1,000 engineering and senior manufacturing technician jobs. Intel is seeking certification for the facility for achieving the highest environmental construction standards. (Tim Everill)

State Land Department – Report on Fire Suppression Activities

A.R.S. § 37-623.02E requires the State Land Commissioner to submit a report by December 31 of each year on the uses of monies authorized to be expended from the Fire Suppression Revolving Fund. In FY 2008, there was a total of \$18.5 million in liability incurred by the fund. Of the liability, the department made payments of \$13.3 million in FY 2008.

In terms of fire fighting activity, Fire Suppression Revolving Fund monies were used to fight a total of 697 fires, resulting in a total liability of \$16.8 million. (Jay Chilton)

Public Programs Eligibility Report – As enacted in the 2006 election, Proposition 300 limits participation in certain state programs to citizens, legal residents, or other persons lawfully present in the United States, and requires semi-annual reports to the Joint Legislative Budget Committee. Below is a summary of

the reports:

Community Colleges – District-wide, the Community Colleges reported a total of 243,449 students classified as in-state. They reported 2,981 students who were not entitled to be classified as in-state because of a lack of lawful immigration status. Additionally, 71,965 students applied for financial aid. Of those who applied, the community colleges reported that 624 were not entitled to any aid because they were not lawfully present in the United States.

Universities – At the 3 universities, 126,883 students registered for the fall 2008 semester. Of the total students registered, the universities were able to verify the legal immigration status of 115,088 students. Additionally, the universities reported that 11,427 of these students did not require verification because they have either not requested or received in-state tuition or state supported financial aid. The universities reported that a total of 368 students were unverifiable due to their inability to provide the requisite documentation.

Department of Economic Security – The department reported that 18,400 applications were received for child care assistance during the reporting period of May 1, 2008 to November 30, 2008. Of this number, 40 were denied because criteria for citizenship or legal residency were not met.

Arizona Department of Education – The department reported that 20,060 people applied for instruction in Arizona Adult Education during the reporting period of June 1, 2008 to December 1, 2008. Of this amount, 470 were denied instruction because they failed to provide acceptable evidence of citizenship or legal residence in the United States. Additionally, the Family Literacy Program reported a total of 485

Summary of Recent Agency Reports (Continued)

applicants for services in FY 2008. Of this amount, 346 were not eligible for enrollment. (Leah Kritzer)

Department of Transportation –
Report on Local Transportation
Assistance Fund II (Mass Transit) –
A.R.S. § 28-8103 requires the Arizona Department of Transportation (ADOT) to submit an annual report on the allocation of Local Transportation Assistance Fund II (LTAF II) monies by January 1st of each year. The statutory maximum annual allocation is \$18,000,000. ADOT reports that they allocated \$11,682,700 of FY 2008 LTAF II revenue to counties and local governments in December 2008. (Bob Hull)

State of Arizona

General Fund Revenue:

Change from Previous Year and Enacted Forecast December 2008

	Current Month					FY 2009 YTD (Six Months)				
	Actual December 2008	Change From				Actual December 2008	Change from			
		December 2007		Forecast			December 2007		Forecast	
		Amount	Percent	Amount	Percent		Amount	Percent		
<u>Taxes</u>										
Sales and Use	302,821,227	(\$59,283,808)	(16.4) %	(\$79,651,573)	(20.8) %	\$2,001,316,420	(\$227,064,520)	(10.2) %	(\$348,773,580)	(14.8) %
Income - Individual	341,281,282	(22,710,358)	(6.2)	(43,105,518)	(11.2)	1,654,691,456	(116,076,775)	(6.6)	(217,050,944)	(11.6)
- Corporate	111,461,422	(8,631,348)	(7.2)	(29,126,778)	(20.7)	304,663,625	(109,407,753)	(26.4)	(144,675,875)	(32.2)
Property	4,253,521	(558,656)	(11.6)	(830,479)	(16.3)	10,020,386	(572,826)	(5.4)	(3,752,914)	(27.2)
Luxury	4,974,559	(392,611)	(7.3)	(5,141)	(0.1)	29,601,939	(727,871)	(2.4)	(715,061)	(2.4)
Insurance Premium	36,260,343	4,582,112	14.5	5,685,943	18.6	163,415,665	11,170,795	7.3	21,614,465	15.2
Estate	0	0	--	0	--	104,313	(156,465)	(60.0)	104,313	--
Other Taxes	42,043	(3,202)	(7.1)	(10,457)	(19.9)	267,109	(20,082)	(7.0)	(47,891)	(15.2)
Sub-Total Taxes	\$801,094,397	(\$86,997,871)	(9.8) %	(\$147,044,003)	(15.5) %	\$4,164,080,913	(\$442,855,497)	(9.6) %	(\$693,297,487)	(14.3) %
<u>Other Revenue</u>										
Lottery	1,207,700	(2,072,500)	(63.2)	0	0.0	23,726,400	6,711,681	39.4	0	0.0
License, Fees and Permits	2,272,532	(618,591)	(21.4)	(1,026,668)	(31.1)	16,926,501	(1,557,259)	(8.4)	(3,973,999)	(19.0)
Interest	1,122,029	(8,684,268)	(88.6)	(4,213,171)	(79.0)	9,088,685	(47,788,596)	(84.0)	(15,576,815)	(63.2)
Sales and Services	3,611,444	(1,844,254)	(33.8)	(1,975,156)	(35.4)	19,001,474	(3,618,482)	(16.0)	(8,946,026)	(32.0)
Other Miscellaneous	2,716,306	733,458	37.0	(292,194)	(9.7)	22,148,862	9,078,374	69.5	8,239,562	59.2
Disproportionate Share	0	0	--	0	--	0	0	--	0	--
Transfers and Reimbursements	1,207,700	(12,118,680)	(90.9)	(452,300)	(27.2)	22,042,465	(7,094,802)	(24.3)	1,502,665	7.3
Sub-Total Other Revenue	12,137,711	(24,604,835)	(67.0) %	(7,959,489)	(39.6) %	112,934,387	(44,269,084)	(28.2) %	(18,754,613)	(14.2) %
TOTAL BASE REVENUE	\$813,232,108	(\$111,602,706)	(12.1) %	(\$155,003,492)	(16.0) %	\$4,277,015,300	(\$487,124,581)	(10.2) %	(\$712,052,100)	(14.3) %
<u>Other Adjustments</u>										
Urban Revenue Sharing	(60,639,783)	(3,594,872)	6.3	0	0.0	(363,838,700)	(21,569,237)	6.3	0	0.0
Budget Plan Transfers	0	(3,876,179)	(100.0)	0	--	215,546,792	211,670,613	--	(16,404,600)	(7.1)
Sub-Total Other Adjustments	(60,639,783)	(7,471,051)	14.1 %	0	0.0 %	(148,291,908)	190,101,376	(56.2) %	(16,404,600)	12.4 %
TOTAL REVENUE	\$752,592,325	(\$119,073,757)	(13.7) %	(\$155,003,492)	(17.1) %	\$4,128,723,392	(\$297,023,205)	(6.7) %	(\$728,456,700)	(15.0) %